

Message Text

UNCLASSIFIED

PAGE 01 KUALA 04229 01 OF 03 230707Z

11

ACTION EA-09

INFO OCT-01 ISO-00 SP-02 USIA-15 AID-05 EB-07 NSC-05

CIEP-02 TRSE-00 SS-15 STR-04 OMB-01 CEA-01 CIAE-00

FRB-01 INR-07 NSAE-00 XMB-04 OPIC-06 LAB-04 SIL-01

AGR-10 /100 W

----- 117575

R 220840Z JUL 76

FM AMEMBASSY KUALA LUMPUR

TO SECSTATE WASHDC 4065

USDOC WASHDC

INFO AMEMBASSY BANGKOK

AMEMBASSY JAKARTA

AMEMBASSY MANILA

AMEMBASSY SINGAPORE

UNCLAS SECTION 1 OF 3 KUALA LUMPUR 4229

USDOC

E.O. 11652: N/A

TAGS: EINV, EGEN, MY

SUBJECT: THE THIRD MALAYSIA PLAN, 1976-80

REF: KUALA LUMPUR 4176 (NOTAL)

1. SUMMARY. THE GOM'S AMBITIOUS THIRD MALAYSIA PLAN (TMP) COVERING THE PERIOD 1976-80 WAS RELEASED ON JULY 19 BY PM HUSSEIN ONN AT SESSION OF PARLIAMENT (SEE REFTEL). PLAN AIMS TO ENABLE MALAYSIA TO MAKE SUBSTANTIAL PROGRESS TOWARDS 1990 GOALS OF ELIMINATING POVERTY IRRESPECTIVE OF RACE AND RESTRUCTURING SOCIETY SO THAT ECONOMIC ACTIVITY IS NOT A FUNCTION OF RACE, AS WELL AS THE STRENGTHENING OF NATIONAL SECURITY. BASED ON OECD FORECASTS FOR DEVELOPED COUNTRIES, GOM PREDICTS MALAYSIAN ECONOMY WILL GROW BY 8.5 PERCENT PER ANNUM THROUGH 1980. TOTAL TMP INVESTMENT IS ESTIMATED AT M\$44.2 BILLION WITH M\$18.6 BILLION FROM PUBLIC SECTOR AND M\$26.8 BILLION FROM PRIVATE SECTOR.

UNCLASSIFIED

UNCLASSIFIED

PAGE 02 KUALA 04229 01 OF 03 230707Z

BILLION FROM PUBLIC SECTOR AND M\$26.8 BILLION FROM PRIVATE SECTOR.

MAIN EMPHASIS IN RURAL SECTOR WILL BE ON INCREASING PRODUCTIVITY OF EXISTING LAND HOLDINGS AND OPENING UP NEW LAND FOR SETTLEMENT. IN URBAN SECTOR, STRESS WILL BE ON CREATION OF JOBS. MANY ASSURANCES ARE GIVEN OF GOM COOPERATION WITH PRIVATE SECTOR. END SUMMARY.

2. THE THIRD MALAYSIA PLAN (TMP) 1976-80 IS THE SECOND IN A SERIES OF FOUR FIVE-YEAR PLANS WHICH, TAKEN TOGETHER, CONSTITUTE THE OUTLINE PERSPECTIVE PLAN WHICH HAS BEEN DESIGNED TO ACCOMPLISH THE GOM'S NEW ECONOMIC POLICY (NEP) BY 1990. THE MAJOR OBJECTIVES OF THE TMP ARE AS FOLLOWS; ALL OF WHICH ARE DESIGNED TO FOSTER NATIONAL UNITY AS WELL AS STRENGTHEN NATIONAL SECURITY:

(A) REDUCE POVERTY AMONG ALL RACIAL GROUPS IN THE RURAL AREAS BY:

- (1) EXPANDING EMPLOYMENT THROUGH NEW LAND DEVELOPMENT. ESTABLISHMENT OF NEW GROWTH CENTERS AND ABSORBING EXCESS LABOR IN OTHER SECTORS OF THE ECONOMY;
- (2) ENHANCE THE PRODUCTIVE ROLE OF THE RURAL POOR BY INCREASING THEIR ACCESS TO LAND, WATER SUPPLIES, CREDIT, MARKETS, EXTENSION ADVICE, AND ELECTRIC POWER;

(B) REDUCE POVERTY AMONG URBAN POOR BY:

- (1) EXPANDING EMPLOYMENT OPPORTUNITIES IN MANUFACTURING AND CONSTRUCTION INCLUDING THE PROMOTION OF SMALL SCALE INDUSTRIES;
- (2) IMPROVING THEIR REAL INCOME BY THE PROVISION OF LOW COST HOUSING AND OTHER PUBLIC SERVICES;

(C) ENHANCE THE QUALITY OF LIFE OF ALL MALAYSIANS AND IN PARTICULAR THE POOR THROUGH THE EXPANSION OF EDUCATION, HEALTH SERVICES, FAMILY PLANNING FACILITIES AND HOUSING;

(D) INCREASE THE SHARE OF THE MALAYS AND OTHER INDIGENOUS PEOPLE IN EMPLOYMENT IN MINING, MANUFACTURING AND CONSTRUCTION AND THE SHARE OF OTHER MALAYSIANS IN
UNCLASSIFIED

UNCLASSIFIED

PAGE 03 KUALA 04229 01 OF 03 230707Z

AGRICULTURE AND SERVICES SO THAT BY 1990 EMPLOYMENT IN THE VARIOUS SECTORS OF THE ECONOMY WILL REFLECT THE RACIAL COMPOSITION OF THE COUNTRY;

(E) RAISE THE SHARE OF THE MALAYS IN THE OWNERSHIP OF PRODUCTIVE WEALTH INCLUDING LAND, FIXED ASSETS AND EQUITY CAPITAL SO THAT BY 1990, THEY WILL OWN AT LEAST 30 PERCENT OF EQUITY CAPITAL WITH 40 PERCENT

BEING OWNED BY OTHER MALAYSIANS;

(F) FOSTER THE DEVELOPMENT OF ENTREPRENEURSHIP AMONG THE MALAYS AND OTHER INDIGENOUS PEOPLE SO AS TO EFFECTIVELY CONTRIBUTE TOWARDS THE CREATION BY 1990 OF A STRONG AND VIABLE COMMERCIAL CLASS AMONG THEM;

(G) ENCOURAGE AND SUPPORT PRIVATE INVESTMENT BOTH DOMESTIC AND FOREIGN;

(H) PROMOTE FURTHER UTILIZATION OF MALAYSIA'S HUMAN AND NATURAL RESOURCES; AND

(I) DEVELOP AND EXPAND THE SOCIAL AND PHYSICAL INFRASTRUCTURE OF THE ECONOMY TO EFFECTIVELY SUPPORT THE ATTAINMENT OF THE ABOVE OBJECTIVES.

3. MEDIUM-TERM ECONOMIC PROSPECTS

BEING AN OPEN ECONOMY, MALAYSIA'S ECONOMIC PROSPECTS DEPEND, TO A LARGE EXTENT, ON THE ECONOMIC WELL BEING OF THE DEVELOPED COUNTRIES OF THE OECD WHICH TAKE OVER ONE-HALF OF MALAYSIA'S EXPORTS. THE GOM HAS ACCEPTED, FOR PLANNING PURPOSES, THE OECD'S ESTIMATES OF GROWTH IN ITS MEMBER COUNTRIES' GROSS DOMESTIC PRODUCTS OF 4-5 PERCENT PER ANNUM WITH AN AVERAGE ANNUAL RATE OF INFLATION OF 7 PERCENT THROUGH 1980. THIS FORECASTED EXPANSION OF GROWTH IN THE WORLD ECONOMY WILL CREATE A GROWTH IN DEMAND FOR MALAYSIAN EXPORTS WHICH IS ABOUT ONE AND A HALF TIMES AS LARGE AS THAT DEVELOPED OVER THE LAST FIVE YEARS. THIS EXPORT GROWTH WILL ENABLE MALAYSIAN GDP GROWTH OF 8.5 PERCENT PER ANNUM THE CREATION OF INFRASTRUCTURE DURING THE SECOND MALAYSIA

UNCLASSIFIED

UNCLASSIFIED

PAGE 04 KUALA 04229 01 OF 03 230707Z

PLAN (SMP) 1971-75 AND THE DEVELOPMENT OF MANUFACTURING INDUSTRIES ALREADY ACCOMPLISHED WILL ENABLE THE MALAYSIAN ECONOMY TO QUICKLY RESPOND TO FORECASTED INCREASES IN DEMAND. THIS WILL PERMIT CONSUMPTION STANDARDS OF INDIVIDUAL MALAYSIANS TO GREATLY IMPROVE AND INVESTMENT TO INCREASE WHILE FINANCIAL AND MONETARY STABILITY IS MAINTAINED.

UNCLASSIFIED

NNN

UNCLASSIFIED

PAGE 01 KUALA 04229 02 OF 03 230242Z

11

ACTION EA-09

INFO OCT-01 ISO-00 SP-02 USIA-15 AID-05 EB-07 NSC-05

CIEP-02 TRSE-00 SS-15 STR-04 OMB-01 CEA-01 CIAE-00

FRB-01 INR-07 NSAE-00 XMB-04 OPIC-06 LAB-04 SIL-01

AGR-10 /100 W

----- 114580

R 220840Z JUL 76

FM AMEMBASSY KUALA LUMPUR

TO SECSTATE WASHDC 4066

USDOC WASHDC

INFO AMEMBASSY BANGKOK

AMEMBASSY JAKARTA

AMEMBASSY MANILA

AMEMBASSY SINGAPORE

UNCLAS SECTION 2 OF 3 KUALA LUMPUR 4229

USDOC

4. INVESTMENT TARGETS

THE TOTAL INVESTMENT TARGET FOR THE TMP IS M\$44.2 BILLION (M\$1.00-U.S.\$0.40) IN CURRENT PRICES OR M\$22.9 BILLION IN REAL TERMS (IN 1970 PRICES). THIS IS AN INCREASE OF 49.3 PERCENT OVER THE AMOUNT EXPENDED IN REAL TERMS DURING THE SMP. ROUGHLY 60 PERCENT WILL BE PROVIDED BY THE PRIVATE SECTOR AND THE REMAINDER BY THE PUBLIC SECTOR. THIS NEARLY REVERSES THE INVESTMENT ROLES PLAYED BY THE TWO DURING THE SMP. IN CURRENT PRICES, PUBLIC SECTOR INVESTMENT EXPENDITURE DURING TMP IS ESTIMATED AT M\$18.6 BILLION. THIS WILL BE TARGETED SO AS TO ENSURE THAT POVERTY AMONG ALL RACIAL GROUPS WILL BE DIMINISHED AND CURRENT ECONOMIC IMBALANCES BETWEEN RACIAL GROUPS AND REGIONS IN MALAYSIA WILL BE REDUCED. THUS 38.2 PERCENT OF TOTAL PUBLIC SECTOR EXPENDITURE WILL BE AIMED AT POVERTY REDRESSAL AND CORRECTING RACIAL IMBALANCES (SEE PARA 7 BELOW FOR SECTOR BREAKDOWN

UNCLASSIFIED

UNCLASSIFIED

PAGE 02 KUALA 04229 02 OF 03 230242Z

OF EXPENDITURES). IN ADDITION, POORER STATES OF KEDAH, PERLIS, KELANTAN, TRENGGANU, MELAKA, SABAH AND SARAWAK

WILL RECEIVE INCREASED ALLOCATIONS (SEE PARA 8 BELOW FOR STATE-BY-STATE BREAKDOWN OF EXPENDITURES). THE PRIVATE SECTOR INVESTMENT TARGET IS M\$26.8 BILLION IN CURRENT PRICES AND REPRESENTS AN INCREASE OF 48.3 PERCENT OVER THAT OF SMP PERIOD. THIS WILL MEAN AN ANNUAL INVESTMENT GROWTH RATE OF 10 PERCENT AND WILL BE CHANNELLED MAINLY TOWARDS MANUFACTURING AND CONSTRUCTION. IN TMP DOCUMENT ITSELF GOM ADMITS THAT "GREATER GOVERNMENT PARTICIPATION AND SUPERVISION OVER THE ACTIVITIES OF THE PRIVATE SECTOR HAVE TENDED TO SLOW DOWN PRIVATE INVESTMENT." RECOGNIZING NEED TO RESTORE CONFIDENCE IN INVESTMENT CLIMATE, GOM PLEDGES EFFORTS TOWARDS WORKING PARTNERSHIP WITH PRIVATE SECTOR.

5. IDENTIFICATION OF PROBLEMS

UNDER A SUBSECTION ENTITLED "MALAYSIA'S STRENGTHS AND CHALLENGES", GOM HAS QUITE CLEARLY IDENTIFIED A NUMBER OF PROBLEMS THAT MUST BE ADDRESSED DURING TMP PERIOD. THE GOM RECOGNIZES THAT THE PRIVATE SECTOR HAS BEEN CONSTRAINED BY PROBLEMS ARISING IN COURSE OF IMPLEMENTING NEP AND PROMISES TO WORK IN PARTNERSHIP WITH PRIVATE SECTOR TO ENSURE PARTICIPATION OF PRIVATE ENTERPRISE IN MALAYSIA'S DEVELOPMENT. THE NEED TO COUNTER THE COMMUNIST THREAT WILL IMPOSE A SUBSTANTIAL COST ON THE GOVERNMENT, LEAVING FEWER RESOURCES FOR SOCIO-ECONOMIC DEVELOPMENT. CURRENT EXPENDITURES WILL MATCH CURRENT REVENUES SO GOM WILL HAVE TO BORROW FROM DOMESTIC AND FOREIGN SOURCES TO FINANCE THE BULK OF DEVELOPMENT EXPENDITURES UNDER TMP. GIVEN BASIC STRENGTH OF ECONOMY, HOWEVER, GOM BELIEVES THAT IT WILL HAVE NO TROUBLE RAISING THESE FUNDS AND THAT AMOUNT OF EXTERNAL DEBT TAKEN ON WILL BE COMPARATIVELY SMALL. THE GOM RECOGNIZES THAT THE RAPID EXPANSION OF MANPOWER TO HANDLE EXPANDED GOVERNMENT ROLE DURING SMP LED TO DROP IN PRODUCTIVITY. THEREFORE, AN IMPORTANT OBJECTIVE WILL BE TO UPGRADE THE PERFORMANCE OF EXISTING STAFF AND INSTITUTIONS.

6. DEVELOPMENT STRATEGY AND TARGETS

UNCLASSIFIED

UNCLASSIFIED

PAGE 03 KUALA 04229 02 OF 03 230242Z

MAJOR GOAL OF TMP IS IMPROVING INCOMES OF POOR OF ALL RACES IN BOTH RURAL AND URBAN SECTORS. IN RURAL SECTOR, EMPHASIS WILL BE ON INCREASING PRODUCTIVITY ON EXISTING AGRICULTURAL HOLDINGS AND THE OPENING UP AND SETTling OF NEW LAND HOLDINGS. A TOTAL OF M\$4.74 BILLION WILL BE SPENT ON PROJECTS IN THE AGRICULTURAL SECTOR OF WHICH 57.6 PERCENT WILL BE USED TO INCREASE PRODUCTIVITY ON EXISTING LAND AND 42.4 FOR OPENING UP NEW LANDS. THE MAJOR GROUPS TO BE ASSISTED IN THE AGRICULTURAL SECTOR

INCLUDE: PADI CULTIVATORS, RUBBER SMALLHOLDERS, COCONUT SMALLHOLDERS, FISHERMEN, ESTATE WORKERS, NEW VILLAGE RESIDENTS, AGRICULTURAL LABORERS, THE ORANG ASLI (TRIBAL PEOPLE) AND THE POOR IN SABAH AND SARAWAK. IN THE URBAN SECTOR, THE EMPHASIS WILL BE ON THE CREATION OF JOBS, PARTICULARLY IN MANUFACTURING AND CONSTRUCTION. BECAUSE MAJORITY OF THE POOR ARE MALAYS, THE POVERTY REDRESSAL PROGRAMS WILL CONTRIBUTE TO REDUCING RACIAL IMBALANCES IN THE ECONOMY. THE GOM DOES NOT, HOWEVER, BELIEVE THAT ECONOMIC GROWTH ALONE WILL SOLVE THE PROBLEM. THEREFORE, THE GOM WILL GIVE CONTINUING ATTENTION TO RESTRUCTURING PROGRAMS IN THE AREAS OF: EMPLOYMENT, EDUCATION, PUBLIC ENTERPRISES, EQUITY OWNERSHIP, AND SHARE CAPITAL HELD IN TRUST FOR THE MALAYS AND OTHER INDIGENOUS PEOPLE. THE GOM BELIEVES THAT ITS EFFORTS ALONE WILL NOT BE SUFFICIENT TO RESTRUCTURE SOCIETY. PRIVATE SECTOR COOPERATION WILL BE REQUIRED IF EFFORTS ARE TO BE SUCCESSFUL. GOM PLEDGES THAT IT WILL ENSURE THAT ANY POSSIBLE ADVERSE IMPACT THAT ITS RESTRUCTURING POLICIES HAVE ON ECONOMIC ASPERATIONS OF ANY GROUP, INCLUDING THE FOREIGN SECTOR, WILL BE MINIMIZED.

7. TMP EXPENDITURE BY SECTOR (MILLIONS OF M\$)

UNCLASSIFIED

NNN

UNCLASSIFIED

PAGE 01 KUALA 04229 03 OF 03 230127Z

11

ACTION EA-09

INFO OCT-01 ISO-00 SP-02 USIA-15 AID-05 EB-07 NSC-05

CIEP-02 TRSE-00 SS-15 STR-04 OMB-01 CEA-01 CIAE-00

FRB-01 INR-07 NSAE-00 XMB-04 OPIC-06 LAB-04 SIL-01

AGR-10 /100 W

----- 113755

R 220840Z JUL 76

FM AMEMBASSY KUALA LUMPUR

TO SECSTATE WASHDC 4067

USDOC WASHDC

INFO AMEMBASSY BANGKOK

AMEMBASSY JAKARTA

AMEMBASSY MANILA

AMEMBASSY SINGAPORE

UNCLAS SECTION 3 OF 3 KUALA LUMPUR 4229

USDOC

	PERCENT SMP OF EXPENDITURES	ESTIMATED TMP OF TOTAL EXPENDITURES	PERCENT OF TOTAL
ECONOMIC	M\$7,349.7	71.7	M\$12,665.2 68.3

A. AGRICULTURE

AND RURAL DEVELOPMENT	2,369.0	23.1	4,735.5 25.5
-----------------------	---------	------	--------------

B. MINERAL

RESOURCES DEVELOPMENT	.7	----	5.0 ----
-----------------------	----	------	----------

C. COMMERCE

AND INDUSTRY	1,608.1	15.7	1,734.5 9.5
--------------	---------	------	-------------

UNCLASSIFIED

UNCLASSIFIED

PAGE 02 KUALA 04229 03 OF 03 230127Z

D. FEASIBILITY

STUDIES	43.7	.04	36.0 0.2
---------	------	-----	----------

E. TRANSPORT	1,687.7	16.5	2,819.0 15.2
--------------	---------	------	--------------

F. COMMUNICA-

TIONS	641.0	6.2	1,192.0 6.4
-------	-------	-----	-------------

G. UTILITIES	999.6	9.7	2,143.0 11.5
--------------	-------	-----	--------------

SOCIAL	1,431.0	14.0	3,092.2 16.6
--------	---------	------	--------------

A. EDUCATION

AND TRAINING	763.6	7.5	1,671.1 9.0
--------------	-------	-----	-------------

B. HEALTH

AND FAMILY PLANNING	226.8	2.2	377.2 2.0
---------------------	-------	-----	-----------

C. SOCIAL

AND	440.6	4.3	1,043.7 5.6
-----	-------	-----	-------------

	PERCENT SMP OF EXPENDITURES	ESTIMATED TMP TOTAL	PERCENT OF EXPENDITURES	TOTAL
--	-----------------------------------	---------------------------	-------------------------------	-------

GENERAL

ADMINISTRATION	M\$369.9	3.6	M\$597.7	3.2
----------------	----------	-----	----------	-----

SECURITY	1,104.8	10.8	2,200.0	11.9
----------	---------	------	---------	------

A. DEFENCE	810.0	7.9	1,550.0	8.4
------------	-------	-----	---------	-----

B. INTERNAL

SECURITY	294.8	2.9	650.0	3.5
----------	-------	-----	-------	-----

TOTAL	M\$10,255.5	100.0	M\$18,555.0	100.0
-------	-------------	-------	-------------	-------

UNCLASSIFIED

UNCLASSIFIED

PAGE 03 KUALA 04229 03 OF 03 230127Z

8. TMP EXPENDITURE BY STATE (MILLIONS OF M\$)

	OPTIMAL TARGET (PERCENT)	ALLOCATION
--	-----------------------------	------------

LOW INCOME STATES

KEDAH	6.3	M\$854.1
PERLIS	1.0	156.5
KELANTAN	7.6	1,018.8
TRENGGANU	5.4	911.2
MELAKA	3.0	327.7

HIGHER INCOME STATES

PENANG	6.2	894.3
PERAK	12.5	1,791.9
SELANGOR (INCLUDING KUALA LUMPUR)	13.2	2,903.1
PAHANG	9.0	2,054.1
NEGERI SEMBILAN	5.1	616.6

	OPTIMAL TARGET (PERCENT)	ALLOCATION
--	-----------------------------	------------

JOHOR	11.8	M\$1,831.7
SABAH	8.4	1,452.3
SARAWAK	10.5	1,657.0
	100.0	M\$16,469.3
MULTI-STATE		2,085.6
TOTAL		M\$18,554.9
UNDERHILL		

UNCLASSIFIED

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: ECONOMIC GROWTH, INDUSTRIAL DEVELOPMENT, NATIONAL SECURITY, EDUCATION, ECONOMIC PROGRAMS, INVESTMENT PROGRAMS
Control Number: n/a
Copy: SINGLE
Draft Date: 22 JUL 1976
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Authority: n/a
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 JAN 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1976KUALA04229
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D760283-0767
From: KUALA LUMPUR
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1976/newtext/t19760733/aaaabcoe.tel
Line Count: 436
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EA
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 8
Previous Channel Indicators: n/a
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: 76 KUALA LUMPUR 4176
Review Action: RELEASED, APPROVED
Review Authority: hackerp0
Review Comment: n/a
Review Content Flags:
Review Date: 27 FEB 2004
Review Event:
Review Exemptions: n/a
Review History: RELEASED <27 FEB 2004 by ThomasVJ>; APPROVED <06 JAN 2005 by hackerp0>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
04 MAY 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: THE THIRD MALAYSIA PLAN, 1976-80
TAGS: EINV, EGEN, ECON, SEDU, MARR, MY
To: STATE
COM
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006